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Chen

Notes on Project 30.2043

Foreword, p. iii

Let us not claim to be the first. Let us just state what our intentions are. The second sentence is unnecessarily quarrel-inciting. Actually, intensive study of comparative economic growth should clarify, rather than obscure the "unique features of economic development in a Communist state". In a left-handed way the sentence also appears to mildly disparage the whole idea of intelligence estimates as being a lower order of economic research.

The following substitute is suggested for Para. 1 of the Foreword:

This report examines the development of the machine building industry of Communist China, particularly through the period of the First Five Year Plan (1953-57). In addition the report is a case study of the Communist model of economic development. In this respect the report draws attention to the manner in which Communist economic decisions have been affected by political ideology.

P. 3, continued para., last sentence

Stated too extremely. Note suggested changes.

P. 3, para. 2, first sentence

Substitute uncritical for slavish, which is a word that carries emotional overtones.

P. 3, para. 2

Your conclusion does not follow from the facts as stated. Granted the population difference, does it follow that Soviet experience can provide "little or no guidance in economic development to the under-developed countries of Asia....."? It is doubtful that the Chinese, for example, will question the objectives or even the major means of the Soviet model, but only some of the related means. In both countries a major objective is the rapid development of economic strength because the Marxian dialectic equates national power with material output. In both countries emphasis on producer goods continues to receive top priorities. It is not until one comes to the question of whether these plans shall be implemented by means of large or small scale enterprises

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that one finds a difference and this is a means rather than an end. Thus it may be that the difference lies in 1) the optimum allocation of factors, as you state, 2) resultant choices as to technology in the short run, and 3) consequent differences in vertical and horizontal integration. These are all means rather than ends, and the Soviets have in many respects proved through time to be flexible and even experimental as to means.

P. 3, last para., beginning 3 ll. from bottom

I agree and here the Chinese are not deviating from the Soviet model. Note, however, that the model, itself, has changed considerably since 1953. Prior to that time each of the European satellites sought to achieve economic autarky, especially in industrial development. Subsequent to that time the USSR has encouraged the concept of an interdependent socialist economic community.

P. 3, para. 2, 3d sentence

Has the USSR seriously claimed that its model is universally applicable? Or is this a straw hypothesis?

Summary - overall comments

Your discussion of the trends in the machine building industry is very good and does not undervalue Chinese accomplishments. I question only the impression given on pp. 2-3 that Chinese experience has proved the Soviet model completely invalid. What you mean by the model is not defined and no test is therefore established as to the extent to which the model did or did not work. The changes referred to at the bottom of p. 2 read very much like changes the USSR had to make and imply that the model didn't work there either.

Before generalizing broadly on the inapplicability of the model, let's define what it is and evaluate which parts have and have not been rejected.

P. 6, last para.

Chiefly because machinery as we now know it was unknown. Industry required mostly labor and raw materials. Much of the latter was agricultural in origin. Industry developed from guild shops or household situations and the factory as such, was practically unknown. This is a digression and should be deleted.

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Notes, continued

P. 7, first full para.

But Communism emerged well after factory system which by this time was based on power driven machinery housed in factories.

Pp. 5-8

In setting up the model you show very well why machine building was emphasized, but you do not provide very much of a framework to study the way in which the Chinese later deviated. The question of when to mechanize agriculture, points again to the fact that your model deals mostly with purposes and not enough with means. The USSR implemented its model with major steel plants and complex machine building plants. It is on this score that the Chinese have had second thoughts, not on the objectives.

P. 12, 1st full para.

Wasn't it a departure from the Soviet model to invest more in Chinese machine building than in industry as a whole?

P. 13, last para.

Closely, instead of slavishly.

P. 13, 11, 2 and 5 up

How big are tremendous and enormous? Can you substantiate with a yuan figure? Use of possibly extravagant and undefined adjectives destroys the force of your argument.

P. 17, last sentence of long para.

What is meant by "might well reconsider"? Does it mean they have, they will, or they should reconsider? The latter would be an obiter dictum; hence inappropriate.

P. 18, last para.

The case of the No. 1 Motor Vehicle Plant suggests that instead of building wholly integrated plants according to the Soviet pattern, the Chinese planned to use existing facilities and thus reinforces the impression that they did not imitate the Soviet model in all ways.

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Notes, continued

P. 20, last sentence of Part I

To what extent was this a vulnerability problem? See p. 61.

P. 23, Table 1

Does "by 1957", as used here, refer to beginning or end of the year?

P. 27, last sentence

Tone down as suggested.

P. 47, para. 1

Delete small, in front of 2500-ton presses.

P. 49, para. 1

Instruments for meters.

Table 13

Make title more definite. What are these, pumps?

P. 59, last sentence

Somewhat ambiguous as to prospects of improvement for small scale local iron and steel plants. Does this refer to the medium-size types or literally to the primitive plants that sprang up during 1958. If it refers to the latter isn't this an optimistic statement?

P. 60, last para.

Hydraulic coal mining? This has been discussed in the USSR, but has it been proved practical? Better tone down to "may create demands..". Such developments usually take more time to perfect than estimated.

P. 63, 1. 7

Why conditional? Change to simple past tense.

P. 64, end middle para.

Not clear what is meant by the use of too much steel in investment. Was this good or bad?

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Notes, continued

P. 68, top of p.

Move bracketted portion to a footnote.

Pp. 68-69

Delete bracketted portions. Not very relevant, though interesting.

P. 72, last para.

Do the Chinese Communists want to develop such a market? Aren't they interested mainly in maintaining a balance between the branches of industry that comprise the producer goods sector? Aren't only minimal concessions made to agriculture and light industrial sectors as markets for machinery and equipment? Are the Chinese planners not less interested in the expansion of the output of all types of machinery, than in producer goods that can be used to turn out other producer goods? This section reads as though you were describing a market economy that was oriented towards the satisfaction of popular wants rather than a planned Communist economy. I suggest redrafting it to confine the focus to the kind of balance to which Communist planners attend (pp. 72-73).

P. 74, last para.

Don't they want to channel expansion of machine building chiefly to the making of more machines for the investment goods industries?

P. 75, para. 1.

The textile machinery and diesel engine examples may not be comparable. It looks as though the textile machinery industry was over-expanded, rather than that cotton production was too low.

Pp. 72-75

Rethink part a. Inadequate development in machinery consuming sectors, in terms of the kind of development the Chinese want to achieve and what the Soviets may have urged them to adopt.

P. 79, end of Section 4

The last sentence may be correct but does it follow from the preceding discussion?

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Notes, continued

P. 82, last para.

Let's drop this introductory paragraph. The generalization is over didactic and somewhat confusing. We can begin with the situation as described on p. 83, with the changes noted. The rest of section A is good and should be retained. For your original introduction, substitute a concluding paragraph at the top of p. 86, to state that these investment patterns have prevented full use of the potential of the economy for growth in both the producer and consumer goods sections; have also led to less than full use of the productive capacity of labor and capital; have likewise resulted in a lower rate of accumulation of investment goods than could have been achieved; have prolonged consumer austerity; and finally have resulted in lower national income than that which the economy was capable of achieving.

P. 86, para. 2, last sentence

Too hypothetical. The theme of your paper is that it has been used; not what would happen if it were used. Delete and save for a conclusion.

P. 87, last para.

The quotation needs an introduction.

Pp. 86-88

Repeats in more detail the second and third effects discussed on pp. 83-85. The Soviet economy contains in it various levels of technology. Don't you want to establish which ones the Chinese tried to copy. Some may have been more appropriate than others.

It would appear to me that the Chinese population is so great as to provide a considerable market for certain mass necessities, despite the widespread poverty (p. 87). To some degree isn't this a question of the quality and price that the Chinese market could sustain rather than one of mass production?

P. 92, last para.

But in operating their own economy the Soviets do not apply this theory rigorously. Observers point out that fewer operations are mechanized than in the US, less use is made of mechanized hand tools, only a few production lines are automatized, and many more transfer operations involve the use of hand labor.

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Notes, continued

Doesn't this boil down to the question of what and how much the Chinese tried to borrow from the Soviets? If the Chinese change their policy on these questions they may still borrow from less mechanized parts of the Soviet machine building sector, may they not?

P. 92, last sentence

Not, no point, though it may not be the best of choices. Tons down.

P. 98, last para.

Restoration of the balance between raw materials producing and consuming industries does not necessarily involve the reproduction of the Soviet model. The USSR is doing the same thing as are all of the European Satellites. Isn't this a case of the model itself being changed as the result of the experience of the entire bloc?

P. 98

Again, doesn't this imply a change in the model, which now differentiates between more and less advanced Communist economies and provides that the former supply machinery and equipment to the latter, who are on the whole to supply agricultural and mineral products to the bloc.

P. 98, last sentence

But not in the very heavy machinery or the extreme precision machine tool fields?

P. 102, l. 3

Change to: permanently.

P. 102, last para., first sentence only

But the USSR has also voiced this complaint against the over-extension of investment effort through many prolonged projects.

P. 105, para. two

Decentralization would also appear to be based on continued application of the latest Soviet model.

P. 106, last para., first sentence

What kind of resources?

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Notes, continued

P. 109, last para.

Reconcile slowdown in regional dispersion with p. 105, Decentralization. Why not combine these two sections?

P. 110

Note that the USSR has followed many of these practices in the past and still thinks in terms of substitutes for electric power in many rural areas. Again this is a case of which facet of the parent model is being emulated. (E.g., Soviet use of kerosene lamp powered radio sets in rural areas.)

P. 113, ll. 5-8

To really high grade or to relatively high grade?

P. 114, last sentence of continued para.

How can these obsolete plants produce high grade, precision equipment?

P. 117, ll. 4-5

What is the connection between high precision of revolution and the use of 4000 kw motors?

Pp. 115-118

Although generally titled: "Impact of Policy Shifts on the Machine Building Industry", this section actually deals only with the impact of the requirement for agricultural machinery and equipment. What about other policy shifts?

P. 123, 6 ll. up

Single, or simple?

Appendix B

Table 77

Suggest use of "Share" instead of "Importance".

Appendix E, p. 282

I suggest that you round this rough estimate to 1 billion yuan for 1957 and round the total for the 5 year plan to 3.6 billion. Don't show totals beyond two significant figures. Why not round the electrical equipment to 600 million and the combined total to 4.2 billion?

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General note on deviation from the Soviet model.

Are Chinese plans still being reviewed by Soviet advisors? What is their reaction to the changes in model? Have they themselves instigated any of the changes? Have any conflicts occurred between the Soviet advisors and Chinese planners?

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